



ENERGY ASSURANCE DAILY

Wednesday Evening, June 18, 2008

Major Developments

MIDWEST FLOODS UPDATE:

Rising Mississippi River Overtops Eight Levees North of St. Louis, Missouri June 18 Locks Remain Closed, Barge Traffic Suspended

The Army Corps of Engineers reports that eight levees north of St. Louis in Lincoln and Pike Counties, Missouri, have overtopped. These levees protect primarily agricultural property and are built to lower elevations than those that protect larger population centers. Overtopping of a levee is not considered failure of that levee, according to the Corps. Overtopping is a phrase used by the Corps to identify a levee that has provided its design level of protection but flood waters have exceeded that level of protection. Barge traffic, including coal, petroleum products and ethanol barges, remained suspended on a large stretch of the Upper Mississippi River due to lock closures June 18. <http://www.mvs.usace.army.mil/pa/news/2008/PresRel33-08-RisingMississippiOvertopsLeveesNorthSTL.pdf>

Railroads Struggle to Restore Rail Service, Reroute Coal Traffic around Flooded Midwest

- Track outages in flood-affected states and delays on strained alternate routes are impacting deliveries of coal to power plants in the Midwest. Power producers that rely on coal shipped by rail say disruptions aren't yet causing shortages of coal supplies because they have adequate stockpiles. An AEP spokesperson said that the company has "weeks" of coal reserves on hand at its coal-fired power plants. AEP's Ohio power plants were having regular coal shipments routed south to its coal terminal in Metropolis, Illinois to avoid the flooded areas. A spokesman for Detroit Edison, a Michigan utility, said that it was shipping coal north of the flood-affected areas, through Minneapolis and Chicago. Union Pacific has prioritized coal shipments on its lines, even as it has embargoed the shipment of other goods. Other major railways, including BNSF, Canadian Pacific and Norfolk Southern, have not prioritized coal shipments despite closures and lengthy service delays throughout their rail networks. Norfolk Southern invoked Force Majeure on June 14. Iowa Northern Railway reports on its website that flooding conditions have forced the company to embargo all service via Waterloo, Iowa for points beyond, including Cedar Rapids and Manly, Iowa, until further notice. To see the latest service advisories click on the railroad links below.

Union Pacific: <http://www.uprr.com/customers/service/update.shtml>

BNSF Railway: <http://domino.bnsf.com/website/updates.nsf/updates?ReadForm&service>

Norfolk Southern: <http://www.nscorp.com/nscportal/nscorp/Customers/>

Iowa Northern Railway: <http://www.iowanorthern.com/>

Iowa Interstate (IAIS) Railroad:

<http://www.iaisrr.com/sites/iaisrr.com/files/Iowa%20Interstate%20Railroad%20Flooding%20Update%206.17.2008.doc>

<http://money.cnn.com/news/newsfeeds/articles/apwire/bb867f22af369df119648f3b311bf97b.htm>

Alliant Energy Restoring Natural Gas Service in Fond du Lac, Wisconsin

Many communities in Alliant Energy's Wisconsin service territory that experienced flooded over the past few days are showing improvement in terms of water levels and the availability of utility service. The water is receding in Fond du Lac and Alliant Energy is quickly restoring the 5,000 customers that were shut off for safety reasons on June 12 and June 13. As of mid-afternoon on June 16, over 2,700 customers have had their gas service relit.

http://www.alliantenergy.com/docs/groups/public/documents/pub/p016733.hcsp#P20_1725

Alliant Energy Continues Restoring Electric Infrastructure in Flooded Iowa June 17

Alliant Energy, through its Interstate Power & Light (IPL) subsidiary, has begun the process of rebuilding its electricity and natural gas networks in Iowa, even as the effects of the extreme flooding, tornados and storms continue to be felt. The downtown area of Cedar Rapids, Iowa appears to be the hardest hit. Below is an update on some of the service disruptions being experienced at Alliant Energy's operations in Iowa:

- **Generation:** Baseload units at Prairie Creek and Sixth Street Generating Stations in Cedar Rapids, Iowa and the Sutherland Generating Station in Marshalltown, Iowa remain offline due to flooding. These units represent approximately 380 megawatts, or less than 15 percent, of IPL's generating capability. Two of the generating stations are also unable to provide steam service to customers. The extent of the damage is currently being evaluated.
- **Sales:** Approximately 280 megawatts of load at IPL is unable to take electric service due to the impact of flooding. While the timing of return to operations for these customers is uncertain, IPL expects this load to eventually all come back on line. Alliant's website reports nearly 6,000 customers without power.
- **Coal Supply:** While both rail and barge deliveries continue to experience service disruptions, sufficient inventory exists at all locations to maintain normal levels of operation at units not impacted by the flooding.
- **Distribution:** Approximately 14 of IPL's 150 substations in the Cedar Rapids area have experienced flooding. Seven have already been placed back into service, while portable substations and other back up arrangements continue to be made.
- **Operations Center:** The Cedar Rapids electrical distribution operations center was flooded and is currently out of service. However, the company has implemented its crisis management plan and is successfully operating from multiple other locations.

<http://www.prnewswire.com/>

Analysts See Ethanol Price Spike Increasing Prices at the Pump

Torrential rains in the Midwest have flooded corn crops and ethanol distilleries, leading to a sharp rise corn and ethanol prices. According to Reuters, ethanol futures have reached \$2.89 per gallon June 18, a 17% increase over the past week, while the price of corn, the primary feedstock for U.S. ethanol, has risen 13% during the same period. The rise in corn and ethanol prices is expected to push up the pump price of E10 (gasoline blended with 10 percent ethanol) and RFG (reformulated gasoline). The Iowa Farm Bureau estimates that Iowa, normally the nation's largest corn-producing state, has already lost up to 10 percent of its corn crop. The Iowa Renewable Fuels Association estimates that 300-400 million gallons per year of ethanol distillation capacity has been shut due to the floods. In addition to lost crops and ethanol distilleries, rail, barge and roadway closures brought on by the floods could lead logistical problems in the delivery of ethanol to blenders.

http://online.wsj.com/article/SB121374630555082567.html?mod=googlenews_wsj

OPIS Price Watch Alert, 03:13 June 18, 2008

Electricity

Storm Knocks Out Power to 145,000 Oncor Customers in Texas June 17

A major storm moved through Oncor's service area in northern Texas during the evening of June 17, leaving downed power lines and power outages in its wake. The storm hit Oncor's system with extremely high winds and heavy rain causing, at its peak, 145,000 customer outages. As of last reports, 21,000 Oncor customers remain without power.

<http://www.txelectricdelivery.com/news/newsrel/detail.aspx?prid=1138>

<http://www.txelectricdelivery.com/news/newsrel/detail.aspx?prid=1139>

Sempra's 319 MW Palomar Gas-fired Unit in California Shut June 17

Reuters, 19:20 June 17, 2008

Update: Luminant 545 MW Sandow Coal-fired Unit 4 in Texas to Return to Service June 18

The unit was shut June 17 to repair a boiler tube leak.

Reuters, 08:04 June 18, 2008

TransAlta's 399 MW Sundance Coal-fired Unit 6 in Alberta Shut June 17

Reuters, 19:20 June 17, 2008

NRC to Increase Oversight on Nebraska Public Power District's 760 MW Cooper Nuke Plant in Nebraska due to Poor Fire Protection Plan

Nebraska Public Power District's Cooper nuclear power station in Nebraska received a "white" inspection finding related to deficiencies in the plant's fire protection plan. In a news release, the Nuclear Regulatory Commission (NRC) said inspectors found two of the plant's emergency operating procedures were completely incorrect as they contained steps that did not reflect the actual physical configuration of some plant equipment.

<http://www.reuters.com/article/rbssIndustryMaterialsUtilitiesNews/idUSN1626383620080616?pageNumber=1&virtualBrandChannel=0&sp=true>

ComEd Installs Razor Wire within Substations to Deter Copper Wire Thefts

In a response to continued attempts by thieves to steal copper wire and other valuables from ComEd substations throughout Illinois, the company is in the process of installing prison-type razor wire atop its substations and maintenance yard fences. The security improvement was completed recently at ComEd's Bradley substation in Illinois where thieves successfully stole copper wire on four occasions over the past few months.

<http://daily-journal.com/archives/dj/display.php?id=422507>

Petroleum

Marathon's 76,000 b/d Texas City, Texas Refinery Reports Leak Has No Impact on Output

A leak within a tank farm at its Texas City refinery was reported at 08:45 AM EDT by a Marathon Oil representative and has not reduced output at the refinery. Leak containment is underway, the representative reported; there is no information regarding the amount or type of substance that leaked out of the tank. Bloomberg News, 11:52 June 18, 2008

Margins Tight for Gasoline Service Station Owners -- 3,184 Gasoline Stations Shut in 2007

Gasoline filling stations across the country are dealing with a tightening in profit margins when selling gasoline as more customers buy gasoline with credit cards. During 2007, 3,184 of the nation's 164,292 gasoline stations shut down or when out of business making it the biggest drop in five years, according to recent information from the National Petroleum News.

<http://www.msnbc.msn.com/id/25214948/>

Update: BP to Start Trains on Residual Hydrotreater at its 475,000 b/d Texas City, Texas Refinery by June 26

BP plans to start a train on the residual hydrotreater at its Texas City, Texas refinery by June 26, being the first time the train on the hydrotreater has operated since an explosion and hurricane damaged the refinery in 2005.

Bloomberg News, 12:44 June 18, 2008

Update: Norway Oil Rig Workers Reach Deal, Strike Averted

The Norwegian Shipowners' Association reports the wage talks between Norwegian drilling rig owners and three trade unions reached an agreement June 17, avoiding a strike at four offshore oil rigs.

http://www.rigzone.com/news/article.asp?a_id=63148

Natural Gas

Nothing to report.

Other News

Series of Disasters Leads Mine Safety and Health Administration to Hire 322 Additional Coal Mine Inspectors

The Mine Safety and Health Administration (MSHA) has hired 322 new coal mine inspectors over the past two years in an effort to increase inspections after a series of mining disasters. The total increase in the number of inspectors has been 163 due to resignations and retirements. A 2007 report issued by the inspector general found that MSHA had failed to carry out inspections at 107 to the 731 underground coal mines operating in 2006.

<http://www.kentucky.com/263/story/435960.html>

Additional Ethanol Plant Closings to Come as Margins Vanish, Corn Prices Rise

VeraSun Energy Company recently decided to delay the openings of its ethanol plants to be located in Welcome, Minnesota and Hartley, Iowa while Heartland Ethanol followed suit, dropping plans to build seven ethanol plants in Illinois. This growing trend reflects the pressure ethanol producers are under as their margins shrink by high corn and natural gas prices. A VeraSun Energy representative told the press the company remains positive that it will be able to open the ethanol plants if market conditions for ethanol production improve.

http://www.istockanalyst.com/article/viewarticle+articleid_2297200~zoneid_Home~title_2nd-UPDATE:Ethanol-Plant.html

Energy Prices

| U.S. Oil and Gas Prices June 18, 2008 | | | |
|--|--------|----------|----------|
| | Today | Week Ago | Year Ago |
| CRUDE OIL West Texas Intermediate U.S. \$/Barrel | 133.85 | 136.80 | 69.06 |
| NATURAL GAS Henry Hub \$/Million Btu | 12.87 | 12.49 | 7.69 |

Source: Reuters

Energy Notes

Nigeria Oil Union Says it Will Consider Strike Action against Chevron if Agreement not Reached by End of June 18

Reuters, 08:08 June 18, 2008

President Bush Urges Congress to Lift Ban on Offshore Oil Drilling; Proposes New Ways to Speed Up Federal Approval of Refinery Building Permits June 18

Reuters, 10:37 June 18, 2008

http://www.nytimes.com/2008/06/18/washington/18drill.html?_r=1&th&emc=th&oref=slogin

Links

This Week in Petroleum from the Energy Information Administration (EIA)

<http://tonto.eia.doe.gov/oog/info/twip/twip.asp>

Updated every Wednesday.

Weekly Petroleum Status Report from EIA

http://www.eia.doe.gov/oil_gas/petroleum/data_publications/weekly_petroleum_status_report/wpsr.html

Updated after 10:30 AM & 1:00 PM EST every Wednesday.

Natural Gas Weekly Update from EIA

<http://tonto.eia.doe.gov/oog/info/ngw/ngupdate.asp>

Updated after 2:00 PM EST every Thursday.

ENERGY ASSURANCE DAILY

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